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23 December 1974

MEMORANDUM FOR: Mr. Robert Fauver
International Economist
Department of the Treasury

SUBJECT : Japan's Trade Trends

Per our conversation I am forwarding the attached information on Japan's trade trends. The material covers the first nine months of 1974 and includes information on exports by value, volume and market. We are now in the process of analyzing the 1975 trade outlook and will forward the results when available. If you require any further information on this or related matters we will be happy to oblige.

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JAPAN'S TRADE TRENDS

1. The attached tables highlight Japan's foreign trade patterns during the first nine months of 1974. Table 1 points out the increases in export volume and value by major overseas markets. Volume data are derived from an analysis covering 98% of Japanese exports at the six digit SITC level. The analysis was applied to individual overseas markets.

2. The analysis shows that export volume to Latin America has risen the fastest -- 45% above the 1973 level. Rapid gains have also been made in countries such as Australia and South Africa. While the value of exports to OPEC countries has risen about 90%, the volume gain has been 28%. The large differential reflects the fact that sales to OPEC countries consist primarily of items such as steel and chemical products which have seen the steepest price hikes.

3. Table 2 shows Japan's trade balance by region. The surplus with non-OPEC LDC's has increased particularly fast because of rising exports and a recent decline in imports from the group. We estimate Japan's surplus with the group for 1974 will approximate \$9.5 billion compared with \$5.3 billion in 1973. The surplus with the United States and

Western Europe, although not particularly large, is on the rise. Japan has also substantially improved its trade balance with Australia, South Africa and the Communist countries.

TABLE 1
JAPAN: 1974 EXPORT PATTERNS

	Percent Change*				Volume			
	January March	April June	July September	Total	January March	April June	July September	Total
U.S.	19.1	27.7	43.3	33.4	-5.9	7.3	14.7	6.0
CANADA	14.1	55.7	93.8	54.1	-8.5	18.0	40.9	16.8
OCEANIA, SOUTH AFRICA	72.1	80.5	76.8	76.7	33.3	47.4	34.6	38.9
E.C.	17.3	45.8	41.5	36.0	-2.9	-1.7	16.5	4.7
OTHER WESTERN EUROPE	-22.8	46.9	4.4	7.6	-27.0	14.6	14.6	1.0
LATIN AMERICA	47.6	94.3	115.2	87.3	24.2	44.9	59.1	45.6
BLACK AFRICA	55.2	71.2	8.6	40.6	5.0	11.7	13.8	11.4
OPEC	55.6	89.7	109.1	87.7	3.0	28.5	46.3	28.1
SOUTH EAST ASIA	70.1	54.9	40.6	53.7	35.8	12.1	6.8	17.0
U.S.S.R.	28.5	85.3	177.1	95.8	-33.5	26.2	128.4	35.6
CHINA	32.8	87.5	114.8	79.2	9.9	27.2	53.0	30.5
TOTAL	35.9	58.0	55.6	50.7	7.7	15.7	22.6	15.9

*Calculated from dollar value of exports

**From corresponding 1973 period

TABLE 2
Japan: Direction of Trade
(\$Million US Dollars) *

		1970	1971	1972	1973	1973**				1974		
						I	II	III	IV	I	II	III
United States	Exports	6,000	7,547	8,903	9,509	2,038	2,333	2,485	2,653	2,452	3,219	3,559
	Imports	4,535	4,173	4,953	8,234	1,751	2,187	1,989	2,307	2,502	2,931	2,633
	Balance	1,465	3,374	3,950	1,275	287	146	496	346	-50	288	926
Canada	Exports	554	872	1,091	997	246	243	242	266	283	382	466
	Imports	739	812	904	1,686	293	437	463	493	493	626	513
	Balance	-185	60	187	-689	-47	-194	-221	-227	-210	-244	-47
Australia, New Zealand, South Africa	Exports	1,019	1,252	1,240	2,043	360	475	541	667	640	885	961
	Imports	1,588	1,793	2,328	3,756	757	928	1,021	1,050	1,040	1,071	1,083
	Balance	-569	-541	-1,088	-1,713	-397	-453	-480	-383	-400	-186	-122
Western Europe	Exports	2,804	3,237	4,603	6,373	1,384	1,434	1,758	1,797	1,468	2,146	2,311
	Imports	1,765	1,857	2,239	3,629	671	855	983	1,120	1,084	1,335	1,208
	Balance	1,039	1,380	2,364	2,744	713	579	775	677	384	811	1,103
E.C. (9)	Exports	1,842	2,231	3,215	4,307	885	997	1,182	1,243	1,083	1,512	1,718
	Imports	1,442	1,488	1,805	2,898	542	682	790	884	855	1,057	960
	Balance	400	743	1,410	1,409	343	315	392	359	228	455	758
Other Western Europe	Exports	962	1,006	1,388	2,066	499	437	576	554	386	632	595
	Imports	323	369	434	749	129	211	193	216	237	279	249
	Balance	639	637	954	1,317	370	226	383	338	149	353	346
LDCs	Exports	7,545	9,501	10,729	15,055	2,900	3,430	3,930	4,795	4,700	5,908	6,401
	Imports	5,649	6,351	7,595	13,206	2,417	3,060	3,425	4,304	6,211	7,706	6,942
	Balance	1,896	3,150	3,134	1,849	483	370	505	491	-1,511	-1,798	-541

Japan: Direction of Trade
(\$ Million US Dollars)

(Cont.)

		1970	1971	1972	1973	1973				1974		
						I	II	III	IV	I	II	III
Latin America	Exports	778	1,077	1,442	2,075	440	411	535	689	663	830	1,161
	Imports	785	764	783	1,353	235	305	374	438	342	440	403
	Balance	-7	313	659	722	205	105	161	251	321	390	758
Africa, Mid-East	Exports	1,083	1,600	1,693	2,410	450	514	700	746	694	926	843
	Imports	398	421	494	848	165	177	247	259	279	352	324
	Balance	685	1,179	1,199	1,562	285	337	453	487	415	574	519
South East Asia	Exports	4,195	4,809	5,489	7,924	1,500	1,879	1,989	2,551	2,474	2,871	2,807
	Imports	1,593	1,686	2,029	4,755	808	1,121	1,250	1,576	1,644	1,782	1,430
	Balance	2,602	3,123	3,460	3,169	692	758	739	975	830	1,089	1,377
OPEC	Exports	983	1,346	1,831	2,642	510	637	698	797	792	1,183	1,459
	Imports	2,512	3,286	4,008	6,240	1,211	1,450	1,551	2,028	3,863	5,062	4,738
	Balance	-1,529	-1,940	-2,177	-3,598	-701	-813	-853	-1,231	-3,071	-3,879	-3,279
Communist	Exports	1,036	1,142	1,429	2,147	444	529	485	689	610	982	1,094
	Imports	727	791	1,037	2,118	371	516	587	644	617	776	791
	Balance	309	351	392	29	73	13	-102	45	-7	206	303
USSR	Exports	338	373	499	501	102	133	104	162	126	205	262
	Imports	394	416	502	914	176	209	268	261	275	307	359
	Balance	-56	-43	-3	-413	-74	-76	-164	-99	-149	-102	-97

Japan: Direction of Trade
(\$ Million US Dollars)

(Cont.)

		1970	1971	1972	1973	1973				1974		
						I	II	III	IV	I	II	III
China	Exports	563	572	603	1,056	226	259	242	329	300	451	513
	Imports	208	271	415	827	135	202	224	266	252	301	260
	Balance	355	301	188	229	91	57	18	63	48	150	253
Other Communist	Exports	135	197	327	592	115	137	140	200	183	328	314
	Imports	125	104	120	378	59	106	95	118	97	161	163
	Balance	10	93	207	214	56	31	45	82	86	167	151
Total	Exports	18,969	23,566	28,032	36,123	7,372	8,444	9,441	10,867	10,153	13,522	14,792
	Imports	15,006	15,779	19,061	32,629	6,260	7,983	8,468	9,918	11,947	14,445	13,170
	Balance	3,699	7,787	8,971	3,494	1,112	461	973	949	-1,794	-923	1,622

* Data is presented on a f.o.b.-f.o.b. basis. For 1973 and 1974, all regional data include estimates for imports f.o.b. derived from c.i.f. data. For 1970-72 LDC and Communist subgroups include derived f.o.b. imports. All other data presented are official f.o.b. data.

** The first half 1973 surplus was about \$750 million if the advance payment to the US for uranium enrichment services in March 1973 is treated as a capital outflow. Tokyo counted the payment as an import for balance of payments purposes, which is reflected \$434 million surplus shown in the table above.